

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7118

BILL NUMBER: SB 360

NOTE PREPARED: Feb 2, 2006

BILL AMENDED:

SUBJECT: Bonds for Public Works Projects.

FIRST AUTHOR: Sen. Ford

FIRST SPONSOR: Rep. Espich

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill increases the threshold at which bid, performance, and payment bonds are required for state and local public works contracts to \$500,000.

Effective Date: June 30, 2006; July 1, 2006.

Explanation of State Expenditures: The bill increase the threshold from \$150,000 to \$500,000 at which bid, performance, and payment bonds are required for state and local public works contracts. The bill may reduce the state administrative cost on small projects and possibly increase the number of contractors that might bid on smaller projects. The bill could also increase the state's exposure to loss if the project is not completed properly.

Background: As of June 30, 2005, the state had 123 public works projects worth \$110.4 M. Of the 123 projects, 44 projects worth \$3.6 M were under \$150,000 and 43 projects worth \$12 M were between \$150,000 and \$500,000.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*. The current threshold for some local projects is \$100,000 for the requirement of bid, performance, and payment bonds.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources:

Fiscal Analyst: Chuck Mayfield, 317-232-4825.